

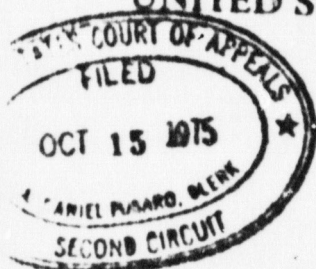
***United States Court of Appeals
for the Second Circuit***



APPELLEE'S BRIEF

75-7168

**UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT**



Docket No. 75-7168

ANTHONY J. CALI,
Plaintiff-Appellant,
against

Bp/s

JAPAN AIRLINES CO., LTD.,
SCANDINAVIAN AIRLINES SYSTEM,
SCANDINAVIAN AIRLINES SYSTEM, INC.,
and KLM ROYAL DUTCH AIRLINES,
Defendants-Appellees.

ON APPEAL FROM THE UNITED STATES DISTRICT
COURT FOR THE EASTERN DISTRICT OF NEW YORK

BRIEF FOR DEFENDANTS-APPELLEES

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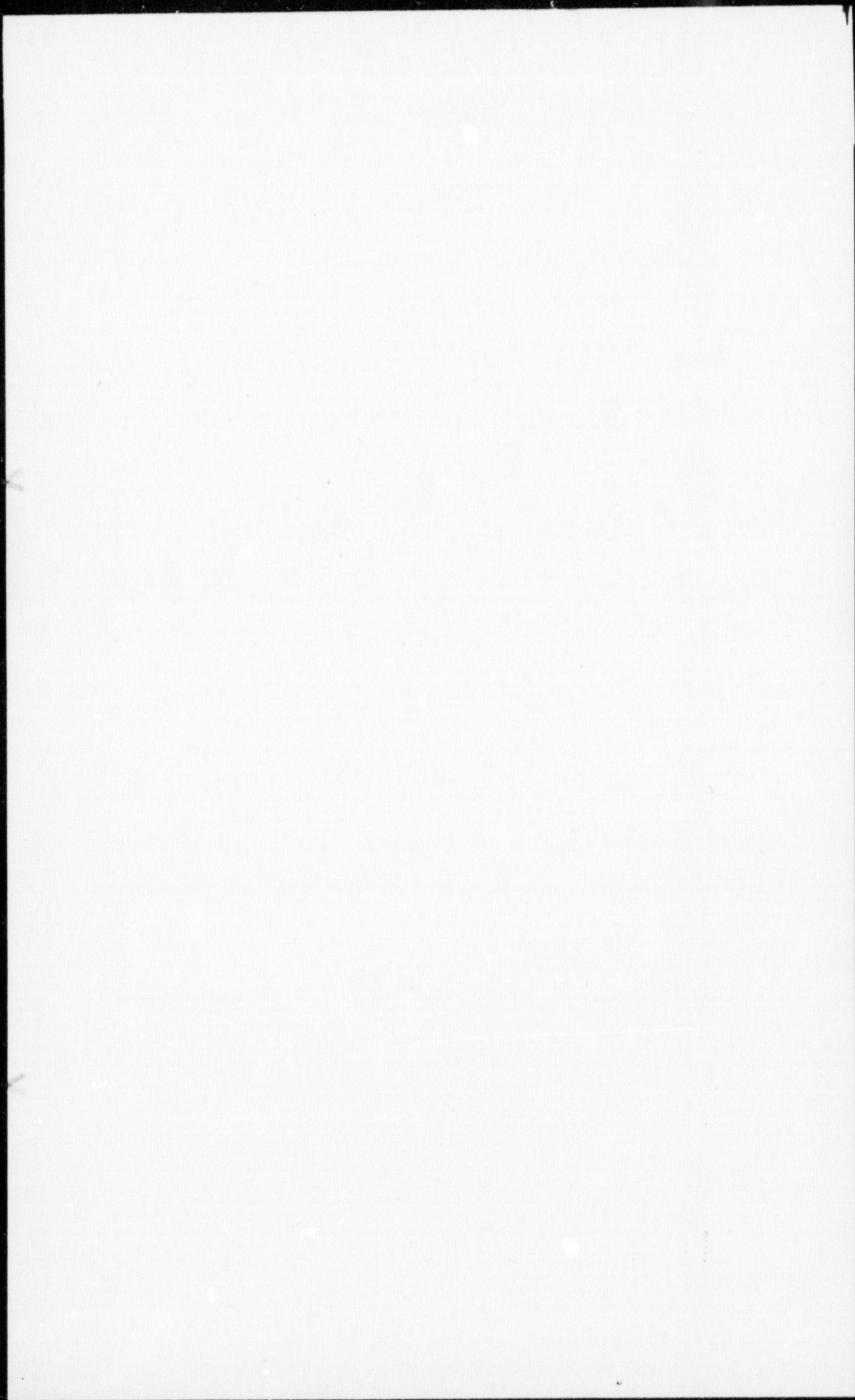


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UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

Docket No. 75-7168

ANTHONY J. CALI,
Plaintiff-Appellant,

against

JAPAN AIRLINES CO., LTD.,
SCANDINAVIAN AIRLINES SYSTEM,
SCANDINAVIAN AIRLINES SYSTEM, INC.,
and KLM ROYAL DUTCH AIRLINES,
Defendants-Appellees.

ON APPEAL FROM THE UNITED STATES DISTRICT
COURT FOR THE EASTERN DISTRICT OF NEW YORK

BRIEF FOR DEFENDANTS-APPELLEES
COUNTERSTATEMENT OF ISSUES PRESENTED

I. Was not the Court below correct in holding that Congress did not intend the patent laws to extend to foreign aircraft lawfully entering the United States in foreign commerce?

II. Was not the Court below correct in holding that Congress and the President acted within their constitutional powers in enacting Section 272 of the United States Patent Laws and in making Article 5ter of the Paris Convention, which provide immunity against claims for patent infringement against devices in foreign aircraft temporarily in the United States, at least as to patents subsequently issued?

III. Was not the Court below also correct in applying and upholding the constitutionality of Article 27 of the Chicago Convention, which provides immunity against claims for patent infringement against mechanisms utilized by or incorporated in foreign aircraft authorized to enter the United States, at least as to patents subsequently issued?

IV. Was not the Court below correct in holding that the answers to the foregoing questions were not changed by the facts that (a) the aircraft made scheduled, periodic, and even frequent entries into the United States pursuant to permits issued by the Civil Aeronautics Board, and (b) the operators of the aircraft maintained facilities in the United States to support the operation of the aircraft in foreign commerce?

STATEMENT OF THE CASE

A. The Nature Of The Case

Plaintiff-appellant, Anthony J. Cali ("Cali"), here appeals from two judgments of the United States District Court for the Eastern District of New York (Dooling, J.), which together dismissed the complaint against all the defendants-appellees (JA 249, 250).¹ The opinion of the District Court refusing to strike certain affirmative defenses, which gave rise to said dismissals, is reported at 380 F. Supp. 1120 (JA 205).

This was an action for the alleged infringement of patent 3,265,290 brought by Cali against Japan Airlines Co., Ltd. ("JAL"), KLM Royal Dutch Airlines ("KLM"), Scandinavian Airlines System ("SAS") and Scandinavian Airlines System, Inc. ("SAS, Inc."). JAL, KLM and SAS are foreign air carriers holding permits issued by the Civil Aeronautics Board ("CAB"). SAS, Inc., a wholly-owned subsidiary of SAS, is a New York corporation which does not own or operate aircraft or aircraft engines. The Cali patent relates to a modification of certain jet engines which powered aircraft of the airline defendants.²

¹ References are to pages of the Joint Appendix ("JA").

² As used herein "airline defendants" includes JAL, KLM, and SAS, but not SAS, Inc.

Cali claims that the operation by defendants of aircraft equipped with the allegedly infringing jet engines between points outside the United States and points in the United States in regular service infringed the rights granted to him by his United States patent.

B. The Course Of The Action And Its Disposition In The Court Below

This action to recover damages for the alleged infringement of the Cali patent was commenced October 26, 1973 (JA 3). The several answers denied both validity and infringement and raised issues of prior public use. Each of the defendants also pleaded an affirmative defense that use of the Cali invention did not constitute infringement of Cali's United States patent because of an immunity granted by Section 272 of the United States Patent Laws (35 U.S.C. §272) (JA 16, 22, 27). Pursuant to leave of court, each defendant amended its answer to allege additional similar defenses of immunity based upon Article 5ter of the Paris Convention for the Protection of Industrial Property, as amended at the Hague in 1925 ("Paris Convention") and upon Article 27 of the Convention on Civil Aviation of 1944 ("Chicago Convention") (JA 28, 31, 34).

After an exchange of interrogatories and requests for admissions, Cali moved for partial summary judgment striking the defenses based upon Article 27 of the Chicago Convention and later broadened this motion to include the defenses based upon Section 272 of the Patent Laws and Article 5ter of the Paris Convention (JA 201). The sole issue considered upon the motion was whether or not the authorized entry into the United States of the defendants' aircraft, even if equipped with infringing engines, could constitute infringement of the patent in suit in view of the immunity granted by one or more of (1) 35 U.S.C. §272; (2) Article 5ter of the Paris Convention; (3) Article 27 of the Chicago Convention (JA 203).

In a decision dated August 20, 1974, Judge John F. Dooling, Jr. denied Cali's motion for summary judgment and

applied and upheld the constitutionality of all three immunity defenses (JA 205, 380 F. Supp. 1120).

On September 4, 1974, Cali moved for reconsideration of this decision on the ground that the membership of the airline defendants in aircraft engine pool blurred the distinction between a foreign aircraft and a domestic aircraft (JA 223). On November 6, 1974, Judge Dooling denied Cali's motion for reconsideration (JA 225). The engine pool issue has not been raised by Cali on this appeal.

Subsequent to the denial of Cali's motion for partial summary judgment, Cali obtained additional discovery directed at the question of whether or not any of the defendants' activities in respect of the accused jet engines fell outside of the immunity defenses. On January 22, 1975, Cali filed a motion to dismiss the complaint which stated that, based upon the District Court's decision, the defense of immunity was a complete defense as to defendants KLM, SAS and SAS, Inc., but not as to JAL, with respect to certain transactions after the complaint was filed (JA 232).

The motion as to KLM, SAS and SAS, Inc. was not opposed (JA 238, 240). JAL cross-moved for dismissal (JA 242). On February 3, 1975, Judge Dooling ordered dismissal of the complaint with prejudice as against KLM, SAS and SAS, Inc. (JA 248), and separately ordered dismissal as against JAL without prejudice to a later action based upon alleged infringements occurring after October 25, 1973 (JA 247). Judgments on these orders were entered February 5, 1975 (JA 249, 250), and appeal was timely taken (JA 251).

C. Statement Of Facts

On August 9, 1966, there was issued to Cali United States Letters Patent 3,265,290, entitled "Axial-Flow Compressor for Jet Engines" (JA 3). This patent relates to modifications introduced (subsequent to their original manufacture) into certain jet engines by which the seventh stage vane and shroud assembly of the low pressure compressor is welded or bolted to its associated fairing.

During the six years next preceding the commencement of this action, JAL, KLM and SAS each owned Douglas DC-8 aircraft equipped with Pratt and Whitney JT-4A jet engines and operated such aircraft, so equipped, to and from the United States. Some of these JT-4A engines had been modified by welding or bolting during major overhaul outside the United States (JA 38-44 (JAL); 60-62 (KLM); 73-74 (SAS)).

JAL is a corporation organized under the laws of Japan (JA 229). KLM is a corporation organized under the laws of The Netherlands (JA 230).

SAS is a consortium of the flag air carriers of Denmark, Norway and Sweden, and each of these air carriers is a corporation organized under the laws of its respective nation (JA 89).

JAL, KLM and SAS are major transoceanic carriers and their air services to and from the United States have been and are regular, daily, of considerable extent, and supported by ground services, marketing facilities, and other property and personnel in this country. All of the aircraft owned or operated by the airline defendants which entered the United States were registered in the country of that defendant (JA 89 (SAS), 227 (JAL, KLM)).³

Defendants' use within the United States of JT-4A engines incorporating the alleged invention was exclusively for the operation of aircraft (JA 229). During the six years prior to this action, none of the defendants sold or distributed the accused JT-4A engines internally in the United States, made them here, or exported them commercially from the United

³ Aircraft operated by SAS were owned by one of the three constituent flag carriers, and were registered in the country of that carrier. SAS, Inc. has never owned aircraft and no aircraft is registered in its name in the United States, Scandinavia, or elsewhere. Cali contends (Cali Brief, p. 9) that SAS, Inc. acts as general agent of SAS, but this activity is limited to traffic and sales matters (JA 147-148).

States (JA 228-229). Defendants have not maintained engine overhaul facilities in the United States, nor were any of the accused JT-4A engines modified within the United States to include the alleged Cali invention (JA 219, 228-229).

The only activity which is claimed on this appeal to constitute an act of infringement is the *use* of the accused JT-4A engines on DC-8 aircraft entering the United States from abroad or returning thence. In the context of the immunities here at issue the following material facts are not in dispute:

(1) The United States, Japan, The Netherlands, Denmark, Norway and Sweden are, and have continuously been, parties to the Paris Convention⁴ as amended at The Hague in 1925 and subsequently. Article 5ter, as first introduced in the amendment of the Paris Convention at The Hague in 1925 is now in effect with respect to each of the foregoing countries and has been in effect at all times here relevant (JA 89-92, 154).

(2) The United States, Japan, The Netherlands, Denmark, Norway and Sweden are contracting states of the Chicago Convention of 1944,⁵ and have been contracting states at all times here relevant (JA 93).

(3) Section 272 of the Patent Laws, Article 5ter of the Paris Convention and Article 27 of the Chicago Convention were duly enacted and have been continuously in effect since long prior to August 1966 when the Cali patent in suit was issued (JA 12, 18, 24, 90-93, 184).⁶

⁴ *Paris Convention for the Protection of Industrial Property*, January 4, 1962 [1962] 1 U.S.T. 1, T.I.A.S. No. 4961. The text of Article 5ter will be found at Addendum III at page A-4.

⁵ *Convention on International Civil Aviation*, December 7, 1944, 61 Stat. 1180 (1947), T.I.A.S. No. 1591. (Excerpted at JA 101-115).

⁶ The texts of Section 272 and Article 27 will be found, *post*, at pages 28 and 31-32, respectively.

(4) Each transit or entry into the United States of a DC-8 aircraft equipped with the accused JT-4A engines owned or operated by any of the airline defendants herein was made while that aircraft was engaged in international air navigation as authorized by a Foreign Air Carrier Permit issued pursuant to CAB Order (JA 88-89, 93-94, 116-146).

Defendants acknowledge that they have conducted business activities in the United States incidental to the operation of their aircraft in foreign air transportation. These activities have included, *inter alia*, the use of real property, the operation of ticket and sales offices, the conduct of promotional activities, the payment of properly levied taxes and, in the case of KLM, the offering of securities. However, none of these activities is material to the question of the *nationality* of defendants' aircraft or to the *temporary entrance* of those aircraft into the United States, nor to any of the other issues present here. Much of Cali's statement of facts is, therefore, immaterial and superfluous. For this reason, we are not here pointing out in detail the respects in which Cali's statement of facts goes beyond the record below.

SUMMARY OF THE ARGUMENT

In the immediately ensuing portion of this brief, we will urge the fundamental proposition that the patent law was never intended by Congress to extend to foreign aircraft utilizing, in lawful commerce, an invention for which a United States patent earlier issued, and that Congress' failure to provide otherwise is not a violation of the Constitution of the United States. In subsequent sections, we will demonstrate that the Congress by statute and the President and Senate through exercise of the treaty-making power, have specifically and validly immunized the "temporary or accidental" or "authorized" entry of foreign aircraft into the United States where such aircraft incorporate a patented invention and that nothing in appellees' operations has vitiated these immunities.

I. The Right Of Exclusive Use Granted By A United States Patent Does Not Extend To The Lawful Entry Into The United States Of Foreign Aircraft For The Purposes Of Commerce

A. The Constitutional and Statutory Provisions

Article I, Section 8, Clause 8 of the Constitution provides:

“The Congress shall have power . . .

* * *

“To promote the progress of science and the useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.”⁷

The Congress has exercised this power since the earliest days of the nation in a series of Patent Acts, the most recent complete revision and codification having been the Patent Act of July 19, 1952 (Public Law 593, 82d Cong. 2nd Sess., Ch. 950; 66 Stat. 792) which appears as Title 35, United States Code. The nature of the patent grant appears in § 154 (as amended) which provides in relevant part:

“Every patent shall contain . . . a grant to the patentee . . . for the term of seventeen years . . . of the right to exclude others from making, using, or selling the invention throughout the United States . . .”⁸

Section 154 incorporates, almost verbatim, the language of § 22 of the Patent Act of 1870 (16 Stat. 198). Prior to 1870, the patent grant appeared in § 5 of the Patent Act of 1836 (5 Stat. 117). The patent grant provided by the 1836 act was, in some

⁷ The full text of Article I, Section 8 of the Constitution will be found at Addendum I at page A-1.

⁸ The full text of 35 U.S.C. §154 will be found at Addendum II at page A-3.

respects, broader than the present patent grant, though the term of the patent at that time was shorter. Section 5 of the 1836 act provided:

“... Every every such patent shall ... in its terms grant to the applicant ... for a term not exceeding fourteen years, the *full and exclusive* right and liberty of making, using and vending to others to be used the said invention ...”⁹ (emphasis added)

The treaty-making power appears in Article II, Section 2, Clause 2 which provides:

“[The President] shall have Power, by and with the Advice and Consent of the Senate, to make Treaties, provided two-thirds of the Senators present concur; ...”

We are here concerned with the interpretation of the Patent Law together with the effect of validly made treaties relating to foreign commerce.

B. Congress Is Not Required By The Constitution To Exercise To The Fullest Extent The Powers Granted To It

It is immediately apparent that the Constitution has *empowered* Congress to enact patent statutes which would grant full and absolute exclusivity to a patentee. Cali, without citation of any apposite authority, seeks to transmute this constitutional power into a constitutional mandate that nothing less than absolute exclusivity can be constitutionally granted to a patentee. Judge Dooling rejected this novel and unfounded theory in a succinct and apt statement:

“The Constitutional provision is not self-executing. It empowers but does not command the Congress to grant patent rights, and the source of any specific patent

⁹ The full text of 5 Stat. 117 will be found at Addendum IV at page A-5.

rights is the statute which defines the nature and extent of the patent right granted. See *Deepsouth Packing Co. v. Laitram Corp.*, 1972, 406 U.S. 518, 525-526. In *Mast, Foos & Co. v. Stover Mfg. Co.*, 1900, 177 U.S. 485, 494. The Court observed sharply

'Congress having created the monopoly, may put such limitations upon it as it pleases.' " 380 F.Supp. at 1124 (JA 209).

The absolute power of Congress to grant less than exclusive rights to patentees is clear. A contention to the contrary, identical to that urged by Cali (Cali Brief, pp. 16-17) was rejected in *Radio Position Finding Corp. v. Bendix Corp.*, 205 F.Supp. 850 (D. Md. 1962), *affirmed per curiam*, 371 U.S. 577 (1963), wherein a three-judge district court held that a private patent law granting less than exclusive rights was constitutional. Congress had enacted Private Law 1008 (approved Sept. 27, 1950, 64 Stat. A243) relieving Blair (a wartime inventor of a radar device who, at government request, had delayed applying for a patent) from the requirement of filing his application within one year of the first public use of the invention. The Private Law further provided that Blair could not exercise his right of exclusion against anyone manufacturing or using the invention prior to the passage of the act. Private Law 1008 therefore clearly granted Blair *less* than the exclusive rights to his invention.

Blair's assignee sued Bendix for infringement of the Blair patent. Bendix argued that Private Law 1008 was invalid because

"... it does not grant an 'exclusive right' within the meaning of Article 1, §8, Clause 8, of the Constitution, since it purports to preserve the rights of persons manufacturing or using the invention authorized to be patented, or in possession of any rights in a conflicting patent or application for a patent. . . ." 205 F.Supp at 852.

After reviewing a number of early cases upholding similar private laws relating to patents, the court noted that "[t]he long standing judicial recognition of flexibility in the 'exclusive' concept of patents is embodied in the present patent statutes" (citing the reissue statute 35 U.S.C. §§251 and 252) and then concluded:

"The direct and indirect expressions of approval of various private laws which have modified the exclusiveness of the grant to the patentee and the long legislative history of the exercise of congressional power to modify the exclusiveness of a patent grant, dating, indeed, from shortly after the adoption of the Constitution, lead us to conclude that Congress did not violate Article 1, §8, cl. 8 of the Constitution in the enactment of Private Law 1008." 250 F.Supp. at 855.

The Court's holding in *Bendix* is precisely consistent with the Supreme Court's statement in *McClurg v. Kingsland*, 42 U.S. (1 How.) 202, 206 (1843):

"[T]he powers of Congress to legislate upon the subject of patents is plenary by the terms of the Constitution, and as there are no restraints on its exercise, there can be no limitation of their right to modify them at their pleasure, so that they do not take away the right of property in *existing* patents." (emphasis added)

The *Bendix* and *McClurg* cases refute Cali's argument that, because the standard of patentability is constitutionally mandated, the scope of the patent grant is also subject to constitutional strictures (Cali Brief pp. 16-17).¹⁰

¹⁰ Also, the cases cited by Cali, *James v. Campbell*, 104 U.S. 356 (1881); *Belknap v. Schild*, 161 U.S. 10, 15 (1895); *Hollister v. Benedict Manufacturing Co.*, 113 U.S. 67 (1888); *United States v. Palmer*, 128 U.S. 262 (1898); *Cramp & Sons v. Curtis Turbine Co.*, 246 U.S. 28 (1918); and *Richmond Screw Anchor Co. v. United States*, 274 U.S. 331 (1928), all involved previously granted property rights and thus come within the final proviso in the *McClurg* quotation.

There are many other examples of areas where the Congress has failed to exhaust the powers granted to it by the Constitution. In the field of atomic energy, in 1946, Congress, by statute, forbade the issuance of patents for inventions "useful solely in the utilization of special nuclear material or atomic energy in an atomic weapon" and revoked (with just compensation) any existing patents in this category. 42 U.S.C. §2181(a) and (b). Consistent with the teaching of *McClurg*, ante at page 12, the Congress drastically limited the prospective rights of patentees with respect to inventions in the field, but revoked existing rights with provision for just compensation.¹¹

In its exercise of the commerce power, Congress has similarly excluded areas clearly within its constitutional power. *McCulloch v. Sociedad Nacional*, 372 U.S. 10 (1963), raised the issue of whether the National Labor Relations Act, as amended, 29 U.S.C. §51 *et seq.*, applied to crews of vessels, legally owned by a foreign subsidiary of an American corporation, which flew the flag of a foreign nation and carried a foreign crew. The court concluded that the Act did not extend to maritime operation of foreign-flag ships employing alien seamen. Mr. Justice Clark stated:

"... We continue to believe that if the sponsors of the original Act or of its amendments conceived of the application now sought by the Board they failed to translate such thoughts into describing the boundaries of the Act as including foreign-flag vessels manned by alien crews. Therefore, we find no basis for a construction which would exert United States jurisdiction over and apply its laws to the internal management and affairs of the vessels here flying the Honduran flag, contrary to the recognition long afforded them not only by our State Department but also by the Congress. . . .

* * *

¹¹ The text of 42 U.S.C. §2181(a) and (b) will be found at Addendum V at page A-6.

"... The possibility of international discord cannot therefore be gainsaid. Especially is this true on account of the concurrent application of the Act and the Honduran Labor Code that would result with our approval of jurisdiction. . . .

* * *

"The presence of such highly charged international circumstances brings to mind the admonition of Mr. Chief Justice Marshall in *The Charming Betsy* . . . that 'an act of Congress might never be construed to violate the law of nations if any other possible construction remains. . . .' Since neither we nor the parties are able to find any such clear expression, we hold that the board was without jurisdiction to order the election. This is not to imply, however, 'any impairment of our own sovereignty, or limitation of the power of Congress' in this field . . ." 372 U.S. at 20-22.

The Supreme Court has very recently recognized the validity of limitations on exclusive rights granted pursuant to Article I, Section 8, clause 8 of the Constitution, in *Twentieth Century Music Corporation v. George Aiken*:

"The Copyright Act of 1909, 35 Stat. 1075, as amended, 17 U. S. C. §1 *et seq.*, gives to a copyright holder a monopoly limited to specified 'exclusive' rights in his copyrighted works. . . .

"The Copyright Act does not give a copyright holder control over all uses of his copyrighted work. Instead, S.1 of the Act enumerates several 'rights' that are made 'exclusive' to the holder of the copyright. If a person, without authorization from one copyright holder, puts a copyrighted work to a use within the scope of one of these 'exclusive rights,' he infringes the copyright. If he puts the work to a use not enumerated in S.1, he does not infringe.

* * *

"The limited scope of the copyright holder's statutory monopoly, like the limited copyright duration required by the Constitution, reflects a balance of competing claims upon the public interest: Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other arts" U. S. , 45 L. Ed. 2d 84, 88-89 (1975).

See also *Goldstein v. California*, 412 U. S. 546, 562 (1973).

C. The Grant Of The "Full And Exclusive" Right To Use An Invention Does Not Extend To The Lawful Entry Into The United States Of Foreign Vessels For The Purposes Of Commerce

The basic issue presented by this appeal, *i.e.*, whether or not the patent law extends to the lawful entry into the United States of foreign vessels for the purposes of commerce, was presented to the Supreme Court over a century ago in *Brown v. Duchesne*, 60 U. S. (19 How.) 183 (1857). Following an extended and carefully reasoned analysis, the Court denied the patentee's claim. For the reasons set forth in *Brown*, the claim should also be denied here.

In the *Brown* case, the patentee Brown brought an action for the infringement of his United States patent against Duchesne, the master of the French schooner Alcyon, by reason of the use of an improved gaff saddle (a part of the rigging used when the vessel was under sail and, therefore, quite comparable to the engines of an aircraft) on the schooner when the vessel entered the port of Boston on a commercial voyage.

Judge Dooling stated the *Brown* case as follows:

"Defendant pleaded that he used the improvement only in the gaffs of a French schooner of which he was

¹² Decided June 17, 1975, after Judge Dooling's decision in the court below.

the master, being himself a subject of France the vessel being one built in France and owned and manned by French subjects, and, at the time of the alleged infringement on a lawful journey under the flag of France from a colony of France to Boston and back to the colony, that the voyage was not ended on the date of the alleged infringement and that the gaffs were placed on the schooner at or near the time of her launching by the builder in order to fit her for the sea. The patentee demurred to the defense, and the Court treated the case as presenting the question whether any improvement in the construction or equipment of the foreign vessel on which there was a United States patent could be used by the vessel within the United States 'while she is temporarily there for the purpose of commerce, without the consent of the patentee.' 60 U. S. (19 How.) at 194." 380 F. Supp. at 1124 (JA 209).

Chief Justice Taney, speaking for the Court, stated that the issue "depends on the construction of the patent laws" (60 U. S. at 194)¹³ and then analyzed the relationship between the patent power, the commerce power and the treaty-making power granted by the Constitution. As Judge Dooling pointed out:

"The language of the patent laws, the Court agreed, was clear enough, if read literally, to apply to the use of the gaff improvement involved in the case. However, the Court thought that the power granted to the Congress to pass patent and copyright laws conferred 'no power on Congress to regulate commerce, or the vehicles of commerce which belong to a foreign nation, and occasionally visit our ports in their commercial pursuits.' 60 U. S. (19 How.) at 195. The power to regulate commerce and the treaty making power are separate and distinct powers of the general government and not

¹³ Section 5 of the Act of 1836 which applied in the *Brown* case is discussed *ante* at page 10 and reprinted at Addendum IV at page A-5.

connected with the power 'domestic in its character' (*Id.*) to promote the progress of science by securing to inventors for a limited time the exclusive right to their discoveries. The patent laws are not intended to have extraterritorial operation." 380 F. Supp. 1124-5 (JA 209-210).

The *Brown* Court then distinguished between the acts of making and selling the invention within the United States and the "use of the gaff improvement made by the French schooner in simply coming into port and ceasing to use the gaff when the vessel came to dockside." 380 F. Supp. at 1125 (JA 210).

Although the Court noted that "it is obvious that the plaintiff sustained no damage, and the defendant derived no material advantage, from the use of an improvement of this kind by a foreign vessel in a single voyage to the United States, or from occasional voyages in the ordinary pursuits of commerce" (60 U.S. at 196), the Court did *not*, as Cali strenuously urges, treat *Brown* as a *de minimis* case (Cali Brief, pp. 15-16, 26-27). That this was so is apparent from the immediately succeeding portion of the opinion:

"But it seems to be supposed, that this user of the improvement was, by legal intendment, a trespass upon the rights of the plaintiff; and that although no real damage was sustained by the plaintiff, and no profit or advantage gained by the defendant, the law presumes a damage, and that the action may be maintained on that ground. In other words, that there is a technical damage, in the eye of the law, although none has really been sustained.

"This view of the subject, however, presupposes that the patent laws embrace improvements on foreign ships, lawfully made in their own country, which have been patented here. But that is the question in controversy. And the Court is of opinion that cases of that kind were not in the contemplation of Congress in enacting the patent laws, and cannot, upon any sound

construction, be regarded as embraced in them. For such a construction would be inconsistent with the principles that lie at the foundation of these laws; and instead of conferring legal rights on the inventor, in order to do equal justice between him and those who profit by his invention, they would confer a power to exact damages where no real damage had been sustained, and would moreover seriously embarrass the commerce of the country with foreign nations. We think these laws ought to be construed in the spirit in which they were made—that is, as founded in justice—and should not be strained by technical constructions to reach cases which Congress evidently could not have contemplated, without departing from the principle upon which they were legislating, and going far beyond the object they intended to accomplish.

“The construction claimed by the plaintiff would confer on patentees not only rights of property, but also political power, and enable them to embarrass the treaty-making power in its negotiations with foreign nations, and also to interfere with the legislation of Congress when exercising its constitutional power to regulate commerce. And if a treaty should be negotiated with a foreign nation, by which the vessels of each party were to be freely admitted into the ports of the other, upon equal terms with its own, upon the payment of the ordinary port charges, and the foreign Government faithfully carried it into execution, yet the Government of the United States would find itself unable to fulfil its obligations if the foreign ship had about her, in her construction or equipment, anything for which a patent had been granted.” 60 U.S. at 196-197.

The *Brown* opinion is posited, not on any theory of *de minimis*, but rather on the ground that Congress never intended the patent grant to reach to the kind of use involved. The Court

in *Brown* concluded its opinion in the following decisive language:

"But we must interpret our patent laws with reference to our own Constitution and laws and judicial decisions. And the court are of opinion that the rights of property and exclusive use granted to a patentee does not extend to a foreign vessel lawfully entering one of our ports; and that the use of such improvement, in the construction, fitting out, or equipment of such vessel, while she is coming into or going out of a port of the United States, is not an infringement of the rights of an American patentee, provided it was placed upon her in a foreign port, and authorized by the laws of the country to which she belongs." 60 U.S. at 198-199.

The holding of *Brown* is equally applicable here and retains full vitality despite its age, as subsequent events have attested. For example, *Benz v. Compania Naviera Hidalgo*, 353 U.S. 138 (1957), concerned the issue of whether or not the Labor Management Relations Act of 1947 "applies to a controversy involving damages resulting from the picketing of a foreign ship operated entirely by foreign seamen under foreign articles while the vessel is temporarily in an American port." 353 U.S. at 138-139. In deciding that it did not, the Court noted:

"As far back as 1856 this Court was faced with a related problem. In *Brown v. Duchesne*, 19 How 183 (1857), in construing our patent laws which were silent as to their coverage of foreign ships in our ports, the Court held that Congress had expressed no intention of subjecting the use of improvements on foreign vessels stopping at our ports to our patent laws." 353 U.S. at 146 n.7.

In *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 531 (1972) the Supreme Court recently reaffirmed the basic holding of *Brown*:

"... our patent system makes no claim to extra-territorial effect; 'these acts of Congress do not and were not intended to, operate beyond the limits of the United States.' *Brown v. Duchesne*, 19 How., at 195. . . ."

And as Judge Dooling said in the court below:

"Although the Court might phrase it differently today, *Brown v. Duchesne* means at minimum that the patent law must not be so interpreted as to impair the treaty-making capacity of the nation or to clog its power to regulate foreign commerce (since that would make patent grants a surrender *pro tanto* of 'sovereignty' to private persons, cf. *Norman v. Baltimore & O.R.Co.*, 1935, 294 U.S. 240, 316; *Home Building & Loan Ass'n v. Blaisdell*, 1934, 290 U.S. 398, 442-444), and that, hence, unless the language of the patent statute plainly compels it, the statute must not be taken to grant rights in terms so broad that existing or later treaties must necessarily constitute a 'taking' of some part of the patentee's grant. The Court emphasized the 'no damage' aspect in reaching its conclusion, but that does not mean that the Court was holding that only trivial uses could be considered non-infringing uses. The grant of the patent, then, as now, granted the patentee the right to exclude others from making, using, or selling the article of the patent; the Court was dealing with an article made in France, sold in France and used in transoceanic travel and, finally, used to make and leave port on a voyage to the United States. The shipowner's significant uses of the art of the gaff patent were foreign to the United States, although the gaff was presumably indispensable for making and leaving port. Such a use within the United States would not, perhaps, today be characterized as

trivial and non-damaging since it was inevitable and necessary, but it was not in fact different in kind and use-value from a foreign-owned aircraft's use of the Cali patent in one or more of its engines to land, turn about and take off." 380 U.S. at 1125-6 (JA 210-211).¹⁴

Not only have the Courts recognized the continuing vitality of the principles of *Brown*, so too have the Congress and the President. The prescient observation of the *Brown* Court that the United States might in the future enter into treaties "freely" admitting foreign vessels to U.S. ports,¹⁵ has been borne out by the subsequent making of two treaties (Article 5ter of the Paris Convention and Article 27 of the Chicago Convention) whose purpose is to "freely" admit aircraft and other vessels of foreign nations to the ports of the United States. In a similar manner, Congress has affirmed *Brown* by enacting §272 of the Patent Act of 1952 to "codif[y] the holding of the Supreme Court that use of a patented invention on board a foreign ship does not infringe a patent."¹⁶

The commercial and diplomatic considerations which operated in 1857 also operate today to control the determination of the scope and nature of the patent grant. Since the advent of aircraft as a significant factor in international commerce following World War I, the doctrine of the *Brown* case has been recognized and reaffirmed in each decade: in the 1920's and 1930's by the ratification of Article 5ter of the Paris Convention (*post*, pp. 23 *et seq.*); in the 1940's by the ratification of the Chicago Convention (*post*, pp. 31 *et seq.*); in the 1950's by the enactment of 35 U.S.C. §272 (*post*, pp. 28 *et seq.*); opinion in *Benz* (*ante*, p. 19); in the 1960's and 1970's by the ratification

¹⁴ Cali's reference to the first sentence of the above quoted paragraph (Cali Brief, p. 15) is clearly out of context.

¹⁵ 60 U.S. at 197, quoted *ante* at page 18.

¹⁶ Discussed in points II and III below.

of the Stockholm revision of the Paris Convention, the opinion in *Deepsouth* (*ante*, p. 20) and the various proposed revisions of the Patent Code, none of which contains any provision at variance with the present form of §272 (*post*, p. 28).

Cali's argument that the rule of the *Brown* case deprives him of a "large" claim for damages is unpersuasive: Cali had an absolute right (under the Paris Convention and the United States and foreign patent laws) to file patent applications in foreign countries, including Japan, Holland, Denmark, Norway and Sweden. The claims here sought to be enforced against JAL, KLM and SAS would have been cognizable under foreign patents corresponding to the patent in suit in the airlines' home countries.¹⁷ It is uncontroverted here that Cali elected to file no foreign applications and has obtained no foreign patents. The only excuse offered for this course of action is:

"Cali, an individual inventor, could not afford international patent filings. He was entitled to rely on his U.S. rights." Cali Brief, p. 29.

No authority is cited for this novel contention and we know of none. Indeed, the law is precisely to the contrary:

"To the degree that the inventor needs protection in markets other than those of this country, the wording of 35 U.S.C. §§154 and 271 reveals a congressional intent to have him seek it abroad through patents secured in countries where his goods are being used. . . ." *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. at 531.

¹⁷ In a former action against TWA, Cali did not suggest that the damage done to him by TWA was any the less because of TWA's international operations. *Cali v. TWA and United*, C.A. 72C431 (EDNY).

II. Article 5ter Of The Paris Convention Confers Immunity From Patent Infringement By Use Upon All Defendants' Aircraft, And In So Doing Does Not Offend The Constitution

Article 5ter of the Paris Convention for the Protection of Industrial Property (Paris Convention) has provided since 1925 that:

"In any country of the Union the following shall not be considered as infringements of the rights of a patentee:

* * *

2. the use of devices forming the subject of the patent in the construction or operation of aircraft or land vehicles of other countries of the Union, or of accessories of such aircraft or land vehicles, when those aircraft or land vehicles temporarily or accidentally enter the said country."¹⁸

In 1925 the delegates to the Conference of the International Union for the Protection of Industrial Property which met at The Hague (Hague Conference) considered, among other subjects, the impact of national patent laws on the nascent commercial air transportation industry. This consideration was prompted by a poll, taken two years previously by the Committee for the Protection of Industrial Property of the International Chamber of Commerce, which revealed that there was wide-spread interest in Europe in the generalized adoption of the concept that foreign ships and aircraft should be exempted

¹⁸ This section appears unchanged in the official text of all the revisions of the Paris Convention since 1925. The United States and each of the foreign countries to which the airline defendants are nationals adheres to some revision of the Convention in which Article 5ter is found. (JA 89-92,154). The complete text of Article 5ter of the Paris Convention will be found at Addendum III at page A-4.

from local patent laws if their operations into a country were temporary or accidental. A proposal, which later became Article 5ter, was drafted and submitted by the International Chamber of Commerce to The Hague Conference. At the same time a survey revealed that approximately one-third of the countries in the world had independently adopted domestic legislation exempting temporary or accidental aircraft operations from the action of local patent laws. The survey further revealed that of the remaining countries without such legislation only one country had considered and rejected the concept of exemption (JA 168-169).

It is not surprising, given this background, that Article 5ter was enacted without significant opposition. Some delegates thought that the proposed section might be superfluous in view of the exemption previously provided by Article 18 of the Paris Convention of 1918 which regulated "aerial navigation." Great Britain sought and obtained an amendment to the proposed section which limited the exemption to uses of patented inventions necessary to the function of the aircraft.¹⁹ Most significantly to the case at hand, the Czechoslovakian delegation wanted to clarify the meaning of the word "temporarily" in the proposal. Subcommittee 2, which was given responsibility for this draft, reported in response to the Czechoslovakian query:

"The terms 'temporarily' or 'accidentally' have been chosen precisely in order to give the benefit of the provision both to the ships that enter the [patent] country's waters by design—whether periodically or exceptionally—in order to put into port during a more or less short time, and to vessels that arrive in a country unintentionally as the result of a fortuitous event." (JA 169-171).

There can be no question that airline defendants' aircraft "temporarily enter" the United States within the meaning of Article 5ter.

¹⁹ Or vessel or vehicle. Article 5ter relates to ships and land vehicles, as well as aircraft.

The Foreign Air Carrier Permits²⁰ under which the airline defendants were allowed to conduct operations to the United States during the six years preceding this action show that the rights thereby conferred are far from "permanent", and are very different from the largely vested certificate rights enjoyed by domestic operators such as Pan Am and TWA which operate under §401 of the Federal Aviation Act.²¹ Each permit is either expressly made temporary (for a fixed number of years not exceeding five) or terminable—contingent *both* upon the continuation of an air transport agreement (bilateral agreement) between the United States and the airline defendants' own country authorizing such air service, *and* upon the airline defendants' continued designation thereunder by its own country to operate such service. This brings us in turn to the bilateral air transport agreements ("bilaterals") in effect between the United States on the one hand and Japan, The Netherlands, Denmark, Norway and Sweden. The bilaterals currently in force, as amended, are cited in the margin.²² Although the five bilaterals involved in this action contain individual differences, the similarities preponderate. No airline is mentioned by name. Rather, the services which may be

²⁰ These Permits, in chronological order, are Exhibit C to Defendants' First Request for Admissions Directed to Plaintiff Cali, and have been admitted. (JA 116-146).

²¹ 49 U.S.C. §1371.

²² *Japan*: August 11, 1952 (4 U.S.T. 1949), amended May 9, 1972 (23 U.S.T. 684). *The Netherlands*: April 3, 1957 (12 U.S.T. 837), amended November 25, 1969 (20 U.S.T. 4070). *Denmark*: December 16, 1944, effective January 1, 1945 (58 Stat. 1458), amended August 6, 1954 (5 U.S.T. 1423), July 8, 1958 (9 U.S.T. 1005), and June 7, 1966 (17 U.S.T. 712). *Norway*: October 6, 1945, effective October 15, 1945 (59 Stat. 1658), amended August 6, 1954 (5 U.S.T. 1434 and 1456), July 8, 1958 (9 U.S.T. 1009) and June 7, 1966 (17 U.S.T. 736). *Sweden*: December 16, 1944, effective January 1, 1945 (58 Stat. 1466), amended August 6, 1954 (5 U.S.T. 1412 and 1445), July 8, 1958 (9 U.S.T. 1012) and June 7, 1966 (17 U.S.T. 743).

offered by an airline or airlines of each country are specified in an annexed schedule, and each party is authorized to designate an airline or airlines to provide such services.²³ Moreover, the bilaterals are expressly made terminable by either contracting country upon one year's notice.²⁴ Thus, Cali is wholly in error in referring to the airline defendants' respective services and permits as "permanent".

Cali has previously conceded that the airline defendants' aircraft operate in international air navigation as authorized by their Foreign Air Carrier Permits previously discussed (JA 88-89, 93-99). In accordance with those permits, the airline defendants' aircraft are "... subject to ... the provisions of the Federal Aviation Act of 1958." The Act prohibits aircraft, such as the airline defendants' aircraft, which are concededly owned by foreign parties (JA 89, 227), to engage in interstate or overseas air transportation (§§ 501 and 1108 of the Act (49 U.S.C. §§ 1401, 1503))²⁵ which is reserved to aircraft owned by U.S. citizens. The airline defendants and any other foreign airline may, at most, only be permitted to engage in "foreign air transportation" under section 402 of the Act (49 U.S.C. § 1372) and under permits which are, as previously mentioned, expressly made temporary or terminable (JA 116-146).

Because of the Act's prohibition of interstate air transportation (or "cabotage") by non-U.S. airlines, compliance with the Act necessarily requires that, once the airline defend-

²³ *Japan*: Art. 2(b), 4 U.S.T. 1949; *The Netherlands*: Arts. 1(A) and 2, 12 U.S.T. 837, 838; *Denmark*: Art. 2, 58 Stat. 1458; *Norway*: Art. 2, 59 Stat. 1658; *Sweden*: Art. 2, 58 Stat. 1466.

²⁴ *Japan*: Art. 18, 4 U.S.T. 1957; *The Netherlands*: Art. 16, 12 U.S.T. 844; *Denmark*: Art. 8, 58 Stat. 1460; *Norway*: Art. 10, 59 Stat. 1660; *Sweden*: Art. 8, 58 Stat. 1468.

²⁵ "Overseas air transportation" is defined at Section 101(21) of the Act (49 U.S.C. § 1301(21)) to be carriage amongst the United States and its territories or possessions.

ants' aircraft come to rest and pick up passengers or cargo in the United States, they may take those passengers or cargo no place but out of the United States. None of the airline defendants' aircraft can then be other than temporarily present within the United States.

As the previously discussed legislative history of Article 5ter indicates "temporarily" there was intended to encompass regularly scheduled air operations such as are conducted by the airline defendants.

The right contemplated by Article 5ter that aircraft of countries member to the Paris Convention "be freely admitted into the ports of the other" is precisely the right suggested in *Brown* as a proper subject for a treaty (*ante*, p. 18). *Brown* thus establishes the constitutionality of Article 5ter.

III. 35 U.S.C. §272 Confers Immunity From Patent Infringement By Use Upon All Defendants' Aircraft, And In So Doing Does Not Offend The Constitution

While all of the countries of which the airline defendants are nationals have had for some time domestic laws which are equivalent in effect to Article 5ter of the Paris Convention, the United States did not have such a statute until the 1952 codification of the patent laws (JA 184). This section of law, 35 U.S.C. §272, is entitled "Temporary presence in the United States" and provides:

"The use of any invention in any vessel, aircraft or vehicle of any country which affords similar privileges to vessels, aircraft or vehicles of the United States, entering the United States temporarily or accidentally, shall not constitute infringement of any patent, if the invention is used exclusively for the needs of the vessel, aircraft or vehicle and is not sold in or used for the manufacture of anything to be sold in or exported from the United States."²⁶

As the legislative history of Section 272 makes abundantly clear, this provision was written to codify both the *Brown* case and Article 5ter of the Paris Convention:

"This section follows the requirement of the International Convention for the Protection of Industrial Property, to which the United States is a party, and also codifies the holding of the Supreme Court that use of the

²⁶ Of the fifteen proposed revisions to the Patent Act now pending in the Senate or House of Representatives of which appellees are aware, only two call for any change of any type to 35 U.S.C. §272. Senator Scott's S.2504, October 1, 1973, and Senator McClellan's S.23, January 15, 1975, both suggest that the term "any country" be further defined by change to the words "the country of registration." Otherwise these proposed revisions leave current Section 272 unchanged.

patented invention on board a foreign ship does not infringe a patent."²⁷

Cali has conceded, and it is beyond argument, that an aircraft's engines are "used exclusively for the needs of the . . . aircraft" as required by this section (JA 229). As shown above at p. 24 the term "temporarily", to the extent it is drawn from Article 5ter of the Paris Convention, encompasses regularly scheduled aircraft operations such as those conducted by the airline defendants.

A further requirement of Section 272 is that the immunized aircraft be one "of any country which affords similar privileges to . . . aircraft . . . of the United States." Each of the countries of which the airline defendants are nationals has such legislation.²⁸

The Netherlands has by statute of 1910 and regulation of 1921 exempted vehicles and certain objects from charges of patent infringement if those vehicles or objects are "temporarily in the territory of the Kingdom. . . ." The relevant Japanese statute is more recent (1959) but is to the same effect as 35 U.S.C. §272 except that it, as The Netherlands' law does also, requires no reciprocity. Sweden, Denmark and Norway, which make up the home countries of SAS, joined together with Finland in 1968 to formulate a joint Nordic Patent Law. Like the Japanese and Dutch laws, no reciprocity is required by the Nordic law, however, the Nordic law specifically notes that:

"A patent shall not prevent the exploitation of the invention on foreign . . . aircraft . . . for their needs when they enter this country in *regular traffic* or otherwise."
Nordic Patent Law §5 (emphasis added).

²⁷ H.R. Rep. No. 1923, 82d Cong., 2d Sess. 28 (1952); S. Rep. No. 1979, 82d Cong., 2d Sess. 28 (1952), reproduced in 1952 U.S. Code Cong. and Ad. News 2394, 2422.

²⁸ The relevant foreign statutes are collected and discussed at length in the Affidavit of Law of Professor Andreas Lowenfeld attached to Defendants' Motion For Separate Trial (JA 175-183).

Prior to 1968, Denmark, Norway and Sweden had separate patent laws. Each, the Danish Patent Act of 1958, the Norwegian Patent Law of 1910, and the Swedish Patent Act of 1881, provided, respectively, that foreign "means of communication," "means of transportation," and "a vessel or other transport vehicle" be exempted from the application of the local patent law if it is "used . . . during . . . temporary presence," "not domiciled in the Kingdom," or there "during temporary presence."

As the preceding summary discussion indicates, there can be little doubt that the airline defendants' home countries afford the same protection from charges of patent infringement for foreign airline operations as does 35 U.S.C. §272 and that the reciprocity requirements of section 272 are fully met.

It is also clear that exemption of foreign aircraft from liability for infringement by use is a wide-spread concept, recognized by substantial numbers of civilized nations as a reasonable and rational manner of promoting the benefits of international air navigation.

Finally, Cali has admitted (Cali Brief, p. 13) that both Section 272 and Article 5ter "operate to bar Cali's claim" unless the provisions are construed to exclude precisely the type of commercial operations to which the statute and treaty obviously were directed. Such a construction of Section 272, however, would be inconsistent with the specific holding of the *Brown* case (*ante*, pp. 17-19) and would thus be contrary to the legislative intent expressed in the legislative history of Section 272 to "codif[y]" that decision of the Supreme Court (*ante*, pp. 28-29).

IV. Article 27 Of The Chicago Convention Confers Immunity From Patent Infringement By Use Upon All Defendants' Aircraft, And In So Doing Does Not Offend The Constitution

Cali appears to contend that the presence in the United States of each of the airline defendants is so extensive and pervasive as not to be "temporary" within the meaning of 35 U.S.C. § 272 and Article 5ter of the Paris Convention.²⁹ This argument is plainly irrelevant. The ownership or use of real property, the operation of sales offices and other facilities, and the issuance of securities are totally unrelated to the nature of the "presence" of the accused engines. Even if the argument be accepted, however, it avails Cali naught, because the term "temporary" does not appear in Article 27 of the Chicago Convention.

Article 27 provides, in full text, as follows:

"(a) While engaged in international air navigation, any authorized entry of aircraft of a contracting State into the territory of another contracting State or authorized transit across the territory of such State with or without landings shall not entail any seizure or detention of the aircraft or any claim against the owner or operator thereof or any other interference therewith by or on behalf of such State or any person therein, on the ground that the construction, mechanism, parts, accessories or operation of the aircraft is an infringement of any patent, design, or model duly granted or registered in the State whose territory is entered by the aircraft, it being agreed that no deposit of security in connection with the foregoing exemption from seizure or detention of the aircraft shall in any case be required in the State entered by such aircraft.

²⁹ See, for example, pages 28-29 of Cali's Brief.

“(b) The provisions of paragraph (a) of this Article shall also be applicable to the storage of spare parts and spare equipment for the aircraft and the right to use and install the same in the repair of an aircraft of a contracting State in the territory of any other contracting State, provided that any patented part or equipment so stored shall not be sold or distributed internally or exported commercially from the contracting State entered by the aircraft.

“(c) The benefits of this Article shall apply only to such States, parties to this Convention, as either (1) are parties to the International Convention for the Protection of Industrial Property and to any amendments thereof; or (2) have enacted patent laws which recognize and give adequate protection to inventions made by the nationals of the other States parties to this Convention.” See excerpts of Convention at JA 101 *et. seq.*

All that the airline defendants need show to bring themselves within the immunity granted to aircraft (and, under certain conditions, to spare engines) is:

(1) that their aircraft are those “of a contracting state” (JA 89, 93, 215, 227);

(2) that their aircraft are “engaged in international air navigation” (JA 88, 89, 215) and;

(3) that their home countries offer protection to inventions of U.S. nationals as required in subparagraph (c) (JA 175-183).

Such a showing was made below by each airline in full and carefully documented fashion, and we do not understand it to be challenged on this appeal. As Judge Dooling stated:

“[T]he interpretation of Article 27 of the Chicago Convention is far too clear to debate and it is not, it is

understood, claimed that Article 27 of the Chicago Convention is not literally sufficient to accord the defendant airlines a defense if it is valid." 380 F. Supp. at 1127 (JA 212).

Cali seeks to avoid the literal application of Article 27 by arguing that it is not available to defendants because: First, they operate in a manner virtually indistinguishable from United States flag carriers; and second, that Article 27 is merely an expression of the sovereign immunity ordinarily available to foreign states and their instrumentalities (Cali Brief, pp. 11, 28-29), and that sovereign immunity has been waived by the airline defendants—impliedly by reason of their vast business activities in this country and expressly by their acceptance of Foreign Air Carrier Permits (Cali Brief, pp. 11, 28-29).

The first answer to Cali's arguments is that nothing in the Chicago Convention provides the slightest support for either of them. Article 27 conditions the availability of patent immunity only on the nationality of an aircraft³⁰ and its international use, and not on the extent of activities carried on by the aircraft's owner in the United States.

A second answer is that the Convention contemplates extensive operations in the countries entered. For example, Article 6 specifically contemplates the establishment of scheduled air services; Article 24 specifically contemplates the storage of spare parts and equipment in countries entered by foreign aircraft; and Article 96 contemplates the establishment of "airlines" and defines that term to mean "any air transport enterprise offering or operating an international air service",

³⁰ Article 17 of the Chicago Convention makes the nationality of aircraft dependent solely upon registration under the laws of a particular country. See *Aerovias Interamer. de Panama v. Board of County Com'rs.*, 197 F. Supp. 230, 241 (S.D. Fla. 1961), *reversed on other grounds*, 307 F. 2d 802 (5 Cir. 1962), *cert. denied*, 371 U.S. 961 (1963). Articles 81 and 82 of the Convention expressly refer to the term "airline of a contracting state", so that the absence of this concept from Article 27 is significant (*cf.* Articles 44(f) and 79).

which is in turn defined as "any *scheduled* air service performed by aircraft for the public transport of passengers, mail or cargo". Thus, the nature and scope of the defendant airlines' activities in the United States were fully anticipated when Article 27 of the Chicago Convention was framed.

A third answer to Cali's arguments is provided by United States air law, starting with the Federal Aviation Act of 1958. In Section 101(3) of the Act,³¹ "air carrier" is defined as a citizen of the United States, who engages in interstate, overseas or foreign air transportation.³² "Foreign air carrier", by contrast, means a person *not* a citizen who engages in foreign air transportation.³³ Citizenship is defined by Section 101(13) of the Act³⁴ and for a corporation to be a citizen three requirements must be met: First, the corporation itself must be formed in the United States; second, the President and two-thirds of the board and managing officers must be citizens; and third, three-quarters of the voting interest must be owned or controlled by citizens. As foreign corporations, appellees are thus automatically relegated to the category of "foreign air carriers". There is no provision in any treaty of the United States which allows or contemplates interstate or overseas air transportation by a foreign air carrier or, indeed, by anyone not a citizen, and such transportation is expressly forbidden by Sections 501 and 1108 of the Act.³⁵ The economic regulation of air transportation (Title IV of the Act) follows this dichotomy between citizen "air carriers" and "foreign air carriers". The airline defendants' foreign incorporation and consequent lack of "citizenship" prevent their aircraft from being registered in the United States,³⁶ and thus attaining U. S. nationality for purposes of the Chicago Convention. Finally, all five bilaterals here involved (*ante*, p. 25) give the United States the right to withhold or

³¹ 49 U.S.C. § 1301(3).

³² Defined in Section 101(10) of the Act, 49 U.S.C. § 1301(10).

³³ Section 101(19) of the Act, 49 U.S.C. § 1301(19).

³⁴ 49 U.S.C. § 1301(13).

³⁵ 49 U.S.C. §§ 1401, 1508.

³⁶ Section 501(b) of the Act, 49 U.S.C. § 1401(b).

revoke the privileges conferred upon the designated foreign airlines unless the United States is satisfied that "substantial ownership and effective control" of such airlines are vested in nationals of the other country involved.³⁷

All of the foregoing makes it abundantly clear that the airline defendants' activities in the United States have no bearing whatsoever on any issue in this action since none of these activities can affect the nationality of the aircraft equipped with the accused engines. Thus, there is no relevant sense in which the airline defendants' operations in the United States are "virtually indistinguishable" from the operations of U.S. Flag international carriers like Pan Am and TWA, as Cali asserts (Cali Brief, p. 11).

Lastly, we turn to Cali's argument that defendants' waivers of sovereign immunity by acceptance of their Foreign Air Carrier Permits have also waived their rights under Article 27 of the Chicago Convention. Here, Cali confuses the nationality of an aircraft with government ownership. Nowhere in the Chicago convention or in the bilaterals is there any requirement that international air navigation be performed only by state owned enterprises.³⁸ It is common knowledge that TWA, Pan Am, and other U.S. Flag international airlines are owned publicly and not by the U.S. Government. In this case, KLM and SAS have substantial private ownership. A waiver is not lightly to be implied, and no basis has been presented here for reading a waiver of sovereign immunity by any airline defendant as including a waiver of rights under the Chicago Con-

³⁷ *Japan*: Art. 9(a), 4 U.S.T. 1952; *The Netherlands*: Art. 4, 12 U.S.T. 838; *Denmark*: Art. 6, 58 Stat. 1460; *Norway*: Art. 6, 59 Stat. 1660; *Sweden*: Art. 6, 58 Stat. 1468.

³⁸ The Japanese bilateral of August 11, 1952, Art. 9, 4 U.S.T. 1952, specifically permits ownership and control to be vested "in the Contracting Party designating the airline or in nationals of such Contracting Party." The other bilaterals, though less specific, are to the same effect. See the provisions cited at footnote 22, *ante*, p. 25.

vention. To the contrary, each Foreign Air Carrier Permit issued to the airline defendants which contained a waiver of sovereign immunity also is expressly made subject to "all applicable provisions of any treaty, convention, or agreement affecting international air transportation" between the parties. Moreover, two of the bilaterals were negotiated at the same time and place as the Chicago Convention,³⁹ two more invoke it,⁴⁰ and The Netherlands bilateral makes specific reference to it.⁴¹

There is no support for Cali's contention that Article 27 of the Chicago Convention is based upon the concept of sovereign immunity. There can be none because the Chicago Convention applies to private as well as government ownership of civil aircraft.

In summary, Cali has presented no rational basis for treating either defendants or their aircraft like a U.S. Flag airline and its aircraft.

Cali's argument concerning the constitutionality of Article 27 of the Chicago Convention differs only in degree from his argument concerning 35 U.S.C. §272 and Article 5ter of the Paris Convention. We have shown above that the Cali patent was issued after all these came into force. Cali is thereby subject to the immunities conferred upon foreign nationals engaged in international air transportation. No condemnation nor compulsory royalty-free license is involved under the Chicago Convention, because Article 27 is specifically limited to situations in which a U.S. inventor may, at his own election, protect his rights in the home country of the foreign enterprise. See *Deepsouth Packing Co. v. Laitram Corp.*, 400 U.S. 518, 531 (1972).

³⁹ *Denmark*: Preamble, 58 Stat. 1458; *Sweden*: Preamble, 58 Stat. 1466.

⁴⁰ *Japan*: Preamble, 4 U.S.T. 1949; *Norway*: Preamble, 59 Stat. 1658.

⁴¹ *The Netherlands*: Art. VI, 12 U.S.T. 839.

V. CONCLUSION

For well over a century, the United States patent law has been consistently interpreted not to extend to foreign aircraft in international commerce which use an invention for which a United States patent has issued. This interpretation was first articulated in *Brown v. Duchesne*, 60 U.S. (19 How.) 183 (1857). Since 1857 two treaties (the Paris Convention (1925) and the Chicago Convention (1944)) and a statute (35 U.S.C. §272 (1952)) have affirmed the doctrine of the *Brown* case. Both of the treaties and the statute are clearly constitutional. The lawful, temporary and authorized use of the alleged invention by foreign aircraft of each of the airline defendants is clearly within the rule of the *Brown* case and such use was expressly contemplated by both treaties and the statute. Therefore, the airline defendants' use of the accused jet engines on foreign registered aircraft cannot constitute infringement of the Cali patent which issued long after both treaties and the statute became effective.

The judgments of the District Court dismissing the complaint should be affirmed.

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New York, New York

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ADDENDA



ADDENDUM I

CONSTITUTION

Art. 1, § 8

Section. 8. The Congress shall have Power To lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defence and general Welfare of the United States; but all Duties, Imposts and Excises shall be uniform throughout the United States;

To borrow Money on the credit of the United States;

To regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes;

To establish an uniform Rule of Naturalization, and uniform Laws on the subject of Bankruptcies throughout the United States;

To coin Money, regulate the Value thereof, and of foreign Coin, and fix the Standard of Weights and Measures;

To provide for the Punishment of counterfeiting the Securities and current Coin of the United States;

To establish Post Offices and post Roads;

To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries;

To constitute Tribunals inferior to the supreme Court;

To define and punish Piracies and Felonies committed on the high Seas, and Offences against the Law of Nations;

To declare War, grant Letters of Marque and Reprisal, and make Rules concerning Captures on Land and Water;

To raise and support Armies, but no Appropriation of Money to that Use shall be for a longer Term than two Years;

To provide and maintain a Navy;

To make Rules for the Government and Regulation of the land and naval Forces;

To provide for calling forth the Militia to execute the Laws of the Union, suppress Insurrections and repel Invasions;

To provide for organizing, arming, and disciplining, the Militia, and for governing such Part of them as may be employed in the Service of the United States, reserving to the States respectively, the Appointment of the Officers, and the Authority of training the Militia according to the discipline prescribed by Congress;

To exercise exclusive Legislation in all Cases whatsoever, over such District (not exceeding ten Miles square) as may, by Cession of particular States, and the Acceptance of Congress, become the Seat of the Government of the United States, and to exercise like Authority over all Places purchased by the Consent of the Legislature of the State in which the Same shall be, for the Erection of Forts, Magazines, Arsenals, dock-Yards, and other needful Buildings;—And

To make all Laws which shall be necessary and proper for carrying into Execution the foregoing Powers, and all other Powers vested by this Constitution in the Government of the United States, or in any Department or Officer thereof.

ADDENDUM II

35 U.S.C. §154

CONTENTS AND TERM OF PATENT

Every patent shall contain a short title of the invention and a grant to the patentee, his heirs or assigns, for the term of seventeen years, subject to the payment of issue fees as provided for in this title, of the right to exclude others from making, using, or selling the invention throughout the United States, referring to the specification for the particulars thereof. A copy of the specification and drawings shall be annexed to the patent and be a part thereof. As amended July 24, 1965, Pub.L. 89-83 §5, 79 Stat. 261.

ADDENDUM III

Paris Convention: Act of The Hague, 1925

Article 5ter

In each of the countries of the Union the following shall not be considered as infringements of the rights of a patentee:

1. the use on board vessels of other countries of the Union of devices forming the subject of his patent in the body of the vessel, in the machinery, tackle, gear and other accessories, when such vessels temporarily or accidentally enter the waters of a country, provided that such devices are used there exclusively for the needs of the vessel;

2. the use of devices forming the subject of the patent in the construction or operation of aircraft or land vehicles of other countries of the Union, or of accessories to such aircraft or land vehicles, when those aircraft or land vehicles temporarily or accidentally enter the country.

ADDENDUM IV

5 Stat. 117

Sec. 5. And be it further enacted, That all patents issued from said office shall be issued in the name of the United States and under the seal of said office, and be signed by the Secretary of State, and countersigned by the Commissioner of the said office, and shall be recorded, together with the descriptions, specifications, and drawings, in the said office, in books to be kept for that purpose. Every such patent shall contain a short description or title of the invention or discovery, correctly indicating its nature and design, and in its terms grant to the applicant or applicants, his or their heirs, administrators, executors, or assigns, for a term not exceeding fourteen years, the full and exclusive right and liberty of making, using, and vending to others to be used, the said invention or discovery, referring to the specifications for the particulars thereof, a copy of which shall be annexed to the patent, specifying what the patentee claims as his invention or discovery.

ADDENDUM V

42 U.S.C.A.

§2181. Inventions relating to atomic weapons, and filing of reports—Denial of patent; revocation of prior patents

(a) No patent shall hereafter be granted for any invention or discovery which is useful solely in the utilization of special nuclear material or atomic energy in an atomic weapon. Any patent granted for any such invention or discovery is revoked, and just compensation shall be made thereof.

Denial of rights; revocation of prior rights

(b) No patent hereafter granted shall confer any rights with respect to any invention or discovery to the extent that such invention or discovery is used in the utilization of special nuclear material or atomic energy in atomic weapons. Any rights conferred by any patent hertofore granted for any invention or discovery are revoked to the extent that such invention or discovery is so used, and just compensation shall be made therefor.

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U. S. DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION

OCT 15 1975

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